

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Mayor, Members of the Executive Committee, Municipal Manager and senior officials of the municipality. The primary aim of the Budget Steering Committee is to ensure: -

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, considering the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required budget time schedule on 25 August.

Key dates applicable to the process were: -

- **August 2019** : Adoption of Budget and IDP Schedule of Key deadlines;
- **September 2019** : Engagement with Sector Departments on sector specific programmes ;
- **October 2019** : S52(d) Mayoral report on the implementation of the 2019/2020 budget and SDBIP;
- **November and December 2019**: Review of IDP strategies to ensure relevance;
- **January 2020** : First community consultative process, tabling of annual report 2019/2020 and Mid-Year review of Budget and SDBIP 2019/2020;
- **February 2020** : Adoption of adjustment budget 2019/2020 and Budget steering meeting to discuss input for first Final Budget 2019/2020;
- **March 2020** : Oversight report on the annual report, First Final budget to Budget steering committee, Exco and table to Council to seek approval before community participation;
- **April 2020** : Adoption of final budget 2019/2020 and the IDP;

- **June 2020** : Mayor to Sign SDBIP and submission of Budget / IDP and SDBIP to relevant structures and departments.

### **2.1.2 IDP and Service Delivery and Budget Implementation Plan**

This is the second IDP of the newly adopted council. It started in August 2017 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2020/21 MTREF.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan.

The IDP has been taken into a business and financial planning process leading up to the 2020/21 MTREF, based on the approved 2019/20 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2020/21 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year performance against the 2019/20 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2020/21 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2020/21 MTREF:

- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, household debt, migration patterns)
- Performance trends
- The approved 2019/20 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery
- The FMCMM assessment as tabled at council

In addition to the above, the strategic guidance given in National Treasury' MFMA Circulars 66,67, 70 72,74,75, 78, 79, 82, 85, 89, 91,93 and 94 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

Once the Final budget was approved by council the following community consultation process took place: -

- The Final 2020/21 MTREF was published on the municipality's website;

- Hard copies were made available at all municipal offices and libraries;
- Notices were placed on municipal notice boards;
- A "budget on page document" was prepared for ease reference and circulated on all Richmond Social Media platforms.
- Written communication was received from the Ratepayers Association – a response was duly forwarded, and their input has been considered in this final budget;
- All documents in the appropriate format (electronic and printed) was provided to National Treasury and Provincial Treasury in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs- input was received from Provincial Treasury and has been considered in this draft budget.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

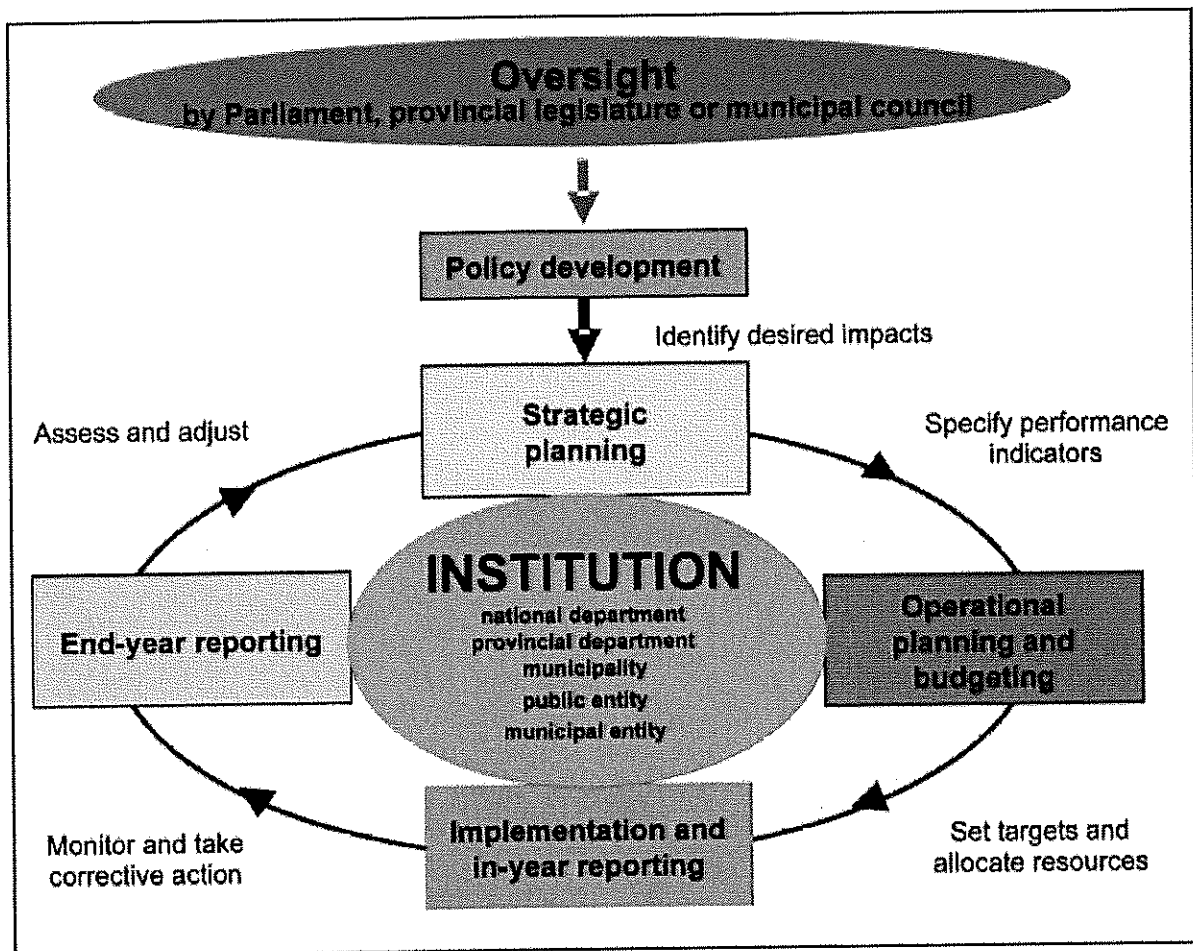
The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP but must also conduct its affairs in a manner which is consistent with its IDP.

### **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:



### Planning, budgeting and reporting cycle

#### 2.3.1 Performance indicators and benchmarks

##### 2.3.1.1 Liquidity

- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. Going forward it will be necessary to maintain these levels.
- The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

## 2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, the debt collection and credit control policy has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears more than 90 days.

## 2.3.1.3 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. The municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

## 2.3.2 Free Basic Services: basic social services package for indigent households

In terms of the municipality's Indigent and Free Basic Services Policy registered households are entitled to 50kwh of electricity and free waste removal equivalent to once a week as well as a rebate on their property rates.

Further the municipality also assists with the Burials to the value of R2000.00 per family.

## 2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

All policies as listed hereunder, are available on the municipality's website.

The Following policies have been amended for the 2020/2021 financial year.

NO.	POLICY	DEPT.	AVAILABILITY	ADOPTION DATE
2.4.1	Debt Collection and Credit Control Policy	Budget & Treasury Office	Y	05/06/2020
2.4.2	Property Rates Act Policy	Budget & Treasury Office	Y	05/06/2020
2.4.3	Revenue enhancement Policy	Budget & Treasury Office	Y	05/06/2020
2.4.4	Petty Cash Policy	Budget & Treasury Office	Y	05/06/2020
2.4.5	Borrowing Policy	Budget & Treasury Office	Y	05/06/2020
2.4.6	Long Term Financial Plan Policy	Budget & Treasury Office	Y	05/06/2020
2.4.7	Supply Chain Management policy	Budget & Treasury Office	Y	05/06/2020
2.4.8	Asset management policy	Budget & Treasury Office	Y	05/06/2020
2.4.9	Indigent policy and Free Basic Services Policy	Budget & Treasury Office	Y	05/06/2020
2.4.10	Cash Management and Investment Policy	Budget & Treasury Office	Y	05/06/2020

NO.	POLICY	DEPT.	AVAILABILITY	ADOPTION DATE	
2.4.11	Budget Policy	Budget & Treasury Office	Y		05/06/2020
2.4.12	Infrastructure and Capital Investment policy	Budget & Treasury Office	Y		05/06/2020
2.4.13	Funds and Reserves Policy	Budget & Treasury Office	Y		05/06/2020
2.4.14	Tariff Policy(including Property Rates Tariff, Refuse Removal / Solid Waste Tariff)	Budget & Treasury Office	Y		05/06/2020
2.4.15	Virement Policy	Budget & Treasury Office	Y		05/06/2020
2.4.16	Budget Implementation and Management Policy	Budget & Treasury Office	Y		05/06/2020 05/06/2020
2.14.17	Contract Management Policy and Manual	Budget and Treasury Office	Y		05/06/2020

#### 2.4.2 Property rates Act Policy

The property Rates Act Policy has been amended in accordance with applicable legislation and comments as received from National COGTA. Whilst the policy is credible, sustainable and manageable there has been a need to review certain components to achieve a higher customer satisfaction and to take cognisance of community input.

#### 2.4.7 Supply Chain Management Policy

The SCM policy has been reviewed to incorporate the central supplier's database as proposed and to be implemented by National Treasury.

### 2.5 Overview of budget assumptions

#### 2.5.1 External factors

Owing to the economic slowdown, there are reduced payment levels by consumers. This is being addressed by the implementation of the debt collection and credit control policy.

The MTBPS highlights that South Africa's economic performance has deteriorated over the past several years. It is important to note that the Gross Domestic Product (GDP) growth forecast of 1.3 per cent in the 2019/20 budget was revised down to 0.7 per cent. The rate of recovery will be slow at this time, it is anticipated that growth of 1.9 per cent may be reached by 2021.

#### 2.5.2 General inflation outlook and its impact on the municipal activities

The following factors have been taken into consideration in the compilation of the 2020/21 MTREF

- National Government macro-economic targets';
- The general inflationary outlook;

- The increase in the cost of remuneration;
- The increase in the cost of services by service providers;
- Annual increases in contracted services;
- Building the capacity of local government through the **“Back to Basics”** which will focus on improving service delivery

### 2.5.3 Headline inflation forecasts

As per the MFMA circular 89, municipalities were requested to take the following macro-economic forecasts into consideration when preparing the 2020/2021 budgets and MTREF: -

**Table 1 Macroeconomic performance and projections**

	2019	2020	2021	2022
Percentage change	Estimate	Forecast		
Real GDP growth	0.3	0.9	1.3	1.6
CPI inflation	4.1	4.5	4.6	4.6

Source: 2020 Budget Review.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

### 2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase by 6 per cent respectively. It is also assumed that the current economic conditions, volatile due to the upcoming local government elections, will continue for the forecaster term.

The rate of revenue collection is currently expressed as a percentage (90 per cent) of annual billings. There should also be an increased collection of arrear debt from the appointment of new debt collectors. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

### 2.5.5 Salary increases

The South African Local Government Association (SALGA) is currently engaged in negotiations on Salaries and Wages, Wage Curve for the Local Government Sector as well as the Pensions Fund Restructuring at the level of the South African Local Government Bargaining Council. SALGA is negotiating for a multi-year salary and wage collective agreement and the salary increases to be inflation linked. SALGA has tabled a revised offer of 6.25% to the trade unions and this includes an improvement factor for the outer years of a multi-year agreement. Further, the municipality has not concluded the Job evaluation process. Every year, over and above the normal salary increase the municipality also provides for a notch increase for applicable positions. Therefore, the municipality has considered a 6.25 per cent increase in the budget for 2020/2021 as well as 6.25 per cent respectively for the outer years.

### 2.5.6 Remuneration of Councillors

The municipality has considered the gazette on the Remuneration of Public Office bearers Act: Determination of Upper limits of Salaries, allowances and Benefits of different members of municipal council for the 2020/2021 financial year.

The following positions have been budgeted for on a full-time basis: -

- Mayor
- Speaker
- Deputy Mayor



### 2.5.7 Ability of the municipality to deliver and spend on the programmes

It is estimated that a spending rate of 100 per cent is achieved on operating and capital expenditure for the 2020/2021 MTREF of which performance has been factored into the cash flow budget.

### 2.5.8 Service Level standards

Service level standards have been formulated.

## 2.6 Overview of budget funding

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

KZN227 Richmond Supporting Table SA10 Funding measurement				
Description	MFMA section	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funding measures</b>				
Cash/cash equivalents at the year end - R'000	18(1)b	20,490	16,017	10,223
Cash + investments at the yr end less applications - R'000	18(1)b	35,125	31,601	28,188
Cash year end/monthly employee/supplier payments	18(1)b	2.3	1.7	1.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	2,103	1,379	431
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	0.0%	0.0%	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	0.0%	0.0%	0.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	19.5%	19.5%	19.5%
Capital payments % of capital expenditure	18(1)c,19	65.3%	65.3%	65.3%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	14.7%	6.0%	6.0%
Long term receivables % change - incr(decr)	18(1)a	0.0%	(100.0%)	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	1.4%	1.5%	1.6%
Asset renewal % of capital budget	20(1)(vi)	0.0%	0.0%	0.0%

**Cash and Cash Equivalents:** The municipality's cash position was discussed as part of the cash flow statement. A positive cash position, for each of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash backing of reserves and working capital requirements.

The forecasted Cash and Cash Equivalents for the 2020/2021 financial year shows R20.5 million rand.

The municipality has budgeted to receive an amount of R17 million rand for Property rates penalties and collection charges in the 2020/21 budget year. The historic trend reflects that the

rates collection rate is between 85 per cent and 90 per cent. The municipality has implemented debt collection strategies and we are therefore confident the collection rate will improve to 90%.

The refuse average collection rate is between 85 per cent and 90 per cent. The municipality has again improved debt collection strategies and has therefore considered a collection rate of 85 per cent for the 2020/21 budget year.

**Cash plus investments less application of funds:** The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement.

### 2.6.1 Medium-term outlook: operating revenue

The following table is a break-down of the operating revenue over the medium-term: -

R thousand	Budget Year 2020/21		Budget Year +1 2021/22		Budget Year +2 2022/23	
Property rates	19,379	18%	20,351	18%	21,294	17%
Service charges - refuse revenue	782	1%	829	1%	879	1%
Rental of facilities and equipment	886	1%	939	1%	996	1%
Interest earned - external investments	3,291	3%	3,488	3%	3,697	3%
Interest earned - outstanding debtors	113	0%	119	0%	126	0%
Fines, penalties and forfeits	2,028	2%	2,150	2%	2,279	2%
Licences and permits	922	1%	977	1%	1,036	1%
Transfers and subsidies	82,046	75%	86,969	75%	92,187	75%
Other revenue	0	0%	0	0%	0	0%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>109,447</b>		<b>115,823</b>		<b>122,494</b>	

R thousand	Budget Year 2020/2 1		Budget Year +1 2021/2 2		Budget Year +2 2022/2 3	
Property rates	19,856	18%	21,047	18%	22,310	18%
Service charges - refuse revenue	782	1%	829	1%	879	1%
Rental of facilities and equipment	886	1%	939	1%	996	1%
Interest earned - external investments	3,291	3%	3,488	3%	3,697	3%
Interest earned - outstanding debtors	113	0%	119	0%	126	0%
Fines, penalties and forfeits	2,028	2%	2,150	2%	2,279	2%
Licences and permits	922	1%	977	1%	1,036	1%
Transfers and subsidies	82,046	74%	86,969	74%	92,187	74%
Other revenue	390	0%	414	0%	439	0%

Total Revenue (excluding capital transfers and contributions)	110,314		116,932		123,948	
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Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its income from grants and property rates.

The revenue strategy is a function of key components such:

- Growth in the Municipalities economic development;
- Revenue management and enhancement;
- Achievement of an 90% annual collection rate;
- National Treasury guidelines;
- Achievement of a full cost recovery on service charges;
- The Property rates policy in terms of the Municipal Property Rates Act, 2004; and
- The ability to extend services and obtain cost recovery

For the medium term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

## 2.6.2 Medium term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2020/2021 MTREF capital programme:

Vote Description R thousand	Adjusted Budget	2020/21 Medium Term Revenue & Expenditure Framework		
		Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funded by:</b>				
National Government	17,520	17,428	18,229	19,068
Provincial Government	12,773	8,366	8,751	9,154
District Municipality	—	—	—	—
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	—	—	—	—
<b>Transfers recognised - capital</b>	<b>30,293</b>	<b>25,794</b>	<b>26,981</b>	<b>28,222</b>
<b>Borrowing</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Internally generated funds</b>	<b>9,372</b>	<b>7,876</b>	<b>8,239</b>	<b>8,618</b>
<b>Total Capital Funding</b>	<b>39,665</b>	<b>33,670</b>	<b>35,219</b>	<b>36,839</b>

## 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and improves understand ability for councillors and management.

KZN227 Richmond - Table A7 Budgeted Cash Flows

KZN227 Richmond - Table A7 Budgeted Cash Flows											
Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates		--	11,551	11,299	17,129	17,129	17,129	6,037	16,852	17,628	18,438
Service charges		--	422	1,399	1,255	1,255	1,255	222	734	768	803
Other revenue		--	32,403	8,947	9,217	7,717	9,217	5,474	7,583	7,932	8,297
Transfers and Subsidies - Operational	1	--	64,785	71,803	77,276	77,275	77,275	74,167	82,430	86,222	90,188
Transfers and Subsidies - Capital	1	--	25,370	17,259	19,872	29,872	19,872	14,982	25,558	26,733	27,963
Interest		--	3,066	2,798	3,210	3,210	3,210	2,616	3,358	3,513	3,674
Dividends		--	--	--	--	--	--	--	--	--	--
Payments											
Suppliers and employees		--	(63,878)	(95,690)	(100,748)	(113,211)	(100,748)	(72,338)	(116,757)	(123,046)	(129,821)
Finance charges		--	(182)	(220)	(183)	(183)	(183)	(44)	(191)	(200)	(209)
Transfers and Grants	1	--	(1,524)	(1,515)	(582)	(582)	(582)	95	(998)	(1,044)	(1,092)
NET CASH FROM/(USED) OPERATING ACTIVITIES		--	72,014	16,079	28,445	22,483	26,445	31,211	16,569	18,506	18,242
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		--	--	242	--	--	--	--	29	30	32
Decrease (increase) in non-current receivables		--	--	(683)	--	--	--	--	--	--	--
Decrease (increase) in non-current investments		(0)	--	--	--	--	--	--	--	--	--
Payments											
Capital assets		--	(22,587)	(24,182)	(27,580)	(39,370)	(27,560)	(14,024)	(21,997)	(23,069)	(24,067)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(0)	(22,587)	(24,623)	(27,580)	(39,370)	(27,560)	(14,024)	(21,998)	(22,979)	(24,035)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		--	--	--	--	--	--	--	--	--	--
Borrowing long term/financing		9,343	--	682	--	--	--	44	--	--	--
Increase (decrease) in consumer deposits		--	--	(16)	--	--	--	(130)	--	--	--
Payments											
Repayment of borrowing		--	(154)	--	--	--	--	--	--	--	--
NET CASH FROM/(USED) FINANCING ACTIVITIES		9,343	(154)	667	--	--	--	(85)	--	--	--
NET INCREASE/ (DECREASE) IN CASH HELD											
Cash/cash equivalents at the year begin:	2	9,343	49,272	(7,877)	(1,115)	(16,887)	(1,115)	17,101	(3,399)	(4,474)	(5,794)
Cash/cash equivalents at the year end:	2	9,343	96,541	26,465	38,849	23,077	38,849	40,977	20,490	16,017	10,223

## 2.6.4 Cash backed reserves/accumulated surplus reconciliation

KZN227 Richmond - Table A8 Cash backed reserves/accumulated surplus reconciliation

KZN227 Richmond - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	9,343	96,541	26,465	38,849	23,077	38,849	40,977	20,490	16,017	10,223
Other current investments > 90 days		37,926	(62,200)	(2,589)	(295)	(1,295)	(295)	537	12,822	12,769	13,765
Non current assets - investments	1	0	0	0	0	0	0	0	-	-	-
Cash and investments available:		47,270	34,342	23,877	38,555	21,783	38,555	41,515	33,312	28,786	23,988
Application of cash and investments											
Unspent conditional transfers		-	-	-	(345)	(10,345)	(345)	10,219	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	19,391	(7,425)	8,444	199	262	199	10,983	(1,813)	(2,815)	(4,200)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		19,391	(7,425)	8,444	(146)	(10,083)	(146)	21,202	(1,813)	(2,815)	(4,200)
Surplus(shortfall)		27,879	41,767	15,433	38,701	31,866	38,701	20,314	35,125	31,601	28,188

The following is an application of this funding: -

- Unspent conditional grants are automatically assumed to be an obligation. The municipality is however budgeting to spend all unspent conditional grants;
- The reserves to be cash backed is the funds in respect to the Housing Development fund

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the table above. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding measurement table essentially measures the degree to which the proposed budget complies with the funding requirement of the MFMA.

## **2.7 Expenditure on grants and reconciliations of unspent funds**

The municipality commits to spending all grants received. Every attempt will be made to avoid an application for roll-overs.

## 2.8 Allocations on grants made by the municipality

Description	Ref	2016/17	2017/18	2018/19	Current Year 2019/20				2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>R thousand</b>											
<b>Cash Transfers to other municipalities</b>											
Insert description	1	-	-	-	-	-	-	-	-	-	-
		-	1,524	1,515	954	954	954	558	998	1,058	1,121
<b>Total Cash Transfers To Municipalities:</b>		-	1,524	1,515	954	954	954	558	998	1,058	1,121
<b>Cash Transfers to Entities/Other External Mechanisms</b>											
Insert description	2	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Cash Transfers To Entities/Em's</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to other Organs of State</b>											
Insert description	3	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Organisations</b>											
Insert description		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Cash Transfers To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Cash Transfers to Groups of Individuals</b>											
Insert description		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Cash Transfers To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL CASH TRANSFERS AND GRANTS</b>	6	-	1,524	1,515	954	954	954	558	998	1,058	1,121
<b>Non-Cash Transfers to other municipalities</b>											
Insert description	1	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Non-Cash Transfers To Municipalities:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to Entities/Other External Mechanisms</b>											
Insert description	2	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Non-Cash Transfers To Entities/Em's</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Transfers to other Organs of State</b>											
Insert description	3	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Non-Cash Transfers To Other Organs Of State:</b>		-	-	-	-	-	-	-	-	-	-
<b>Non-Cash Grants to Organisations</b>											
Insert description	4	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Non-Cash Grants To Organisations</b>		-	-	-	-	-	-	-	-	-	-
<b>Groups of Individuals</b>											
Insert description	5	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
<b>Total Non-Cash Grants To Groups Of Individuals:</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL NON-CASH TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	-	-	-	-
<b>TOTAL TRANSFERS AND GRANTS</b>	6	-	1,524	1,515	954	954	954	558	998	1,058	1,121

Grants to individuals are in respect to Free Basic Electricity, Free Basic Refuse and indigent rates.

**Councillor and employee benefits**

KZN227 Richmond - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration	Ref	2016/17	2017/18	2018/19	Current Year 2019/20			2020/21 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
R thousand		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages		766	2,823	810	4,828	3,011	4,828	4,598	4,874	5,167
Pension and UIF Contributions		131	117	131	137	119	137	131	139	147
Medical Aid Contributions		75	69	75	73	86	73	69	73	78
Motor Vehicle Allowance		645	621	645	935	617	935	621	659	698
Cellphone Allowance		4,103	1,414	4,103	652	1,820	652	571	605	642
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		-	-	-	-	-	-	-	-	-
<b>Sub Total - Councillors</b>		<b>5,720</b>	<b>5,043</b>	<b>5,764</b>	<b>6,624</b>	<b>5,652</b>	<b>6,624</b>	<b>5,991</b>	<b>6,350</b>	<b>6,731</b>
<b>% Increase</b>	4		(11.8%)	14.3%	14.9%	(14.7%)	17.2%	(9.6%)	6.0%	6.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		-	-	-	4,385	3,608	3,608	4,405	4,608	4,819
Pension and UIF Contributions		-	-	-	118	83	83	90	94	99
Medical Aid Contributions		-	-	-	166	94	94	159	167	174
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	156	156	153	161	168
Motor Vehicle Allowance		-	-	-	784	665	665	750	785	821
Cellphone Allowance	3	-	-	-	-	3	3	21	22	23
Housing Allowances	3	-	-	-	11	-	-	12	12	13
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>5,464</b>	<b>4,609</b>	<b>4,609</b>	<b>5,591</b>	<b>5,848</b>	<b>6,117</b>
<b>% Increase</b>	4		-	-	-	(15.7%)	-	21.3%	4.6%	4.6%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		37,121	33,653	38,494	37,301	39,653	39,653	47,484	51,055	54,155
Pension and UIF Contributions		223	224	223	259	224	224	251	267	285
Medical Aid Contributions		1,316	1,267	1,316	1,933	1,642	1,642	2,157	2,289	2,428
Overtime		482	272	482	464	687	687	729	772	819
Performance Bonus		1,924	1,902	2,029	2,782	1,926	1,926	4,015	4,258	4,516
Motor Vehicle Allowance	3	1,214	999	1,214	1,893	931	931	1,668	1,145	1,225
Cellphone Allowance	3	-	-	-	-	-	-	-	-	-
Housing Allowances	3	84	59	84	76	103	103	106	113	120
Other benefits and allowances	3	-	-	-	-	-	-	-	-	-
Payments in lieu of leave		897	1,539	1,471	1,178	1,529	1,529	1,616	1,713	1,815
Long service awards		-	407	468	374	0	0	-	-	-
Post-retirement benefit obligations	6	-	(447)	(173)	642	(2,000)	(2,000)	-	-	-
<b>Sub Total - Other Municipal Staff</b>		<b>43,281</b>	<b>39,878</b>	<b>45,608</b>	<b>46,903</b>	<b>44,896</b>	<b>44,896</b>	<b>58,027</b>	<b>61,614</b>	<b>65,364</b>
<b>% Increase</b>	4		(7.8%)	14.4%	2.8%	(4.7%)	-	29.6%	6.2%	6.1%
<b>Total Parent Municipality</b>		<b>48,961</b>	<b>44,921</b>	<b>51,372</b>	<b>58,991</b>	<b>54,957</b>	<b>55,929</b>	<b>69,608</b>	<b>73,812</b>	<b>78,212</b>
			(8.3%)	14.4%	14.8%	(6.8%)	1.8%	24.5%	6.0%	6.0%

The increase in respect to staff is more than 6.25 per cent implemented to consider the proposed annual salary increment and job evaluation. This is due to the following:-

- The municipality has incorporated a 6.25% annual increment increase;
- The new budget has also considered an additional notch increase;

**2.9 Monthly targets for revenue, expenditure and cash flow**

KZN227 Richmond - Supporting Table SA30 Budgeted monthly cash flow

KZN22/ Richmond - Supporting Table SA30 Budgeted monthly cash flow																
MONTHLY CASH FLOWS		Budget Year 2020/21										Medium Term Revenue and Expenditure Framework				
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23	
Cash Receipts By Source													1			
Property rates	1,404	1,404	1,404	1,404	1,404	1,404	1,404	1,404	1,404	1,404	1,404	1,408	16,852	17,628	18,438	
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Service charges - refuse revenue	62	62	62	62	62	62	62	62	62	62	62	52	734	768	803	
Rental of facilities and equipment	96	96	96	96	96	96	96	96	96	96	96	96	1,150	1,203	1,258	
Interest earned - external investments	271	271	271	271	271	271	271	271	271	271	271	271	3,247	3,397	3,553	
Interest earned - outstanding debtors	9	9	9	9	9	9	9	9	9	9	9	9	111	116	121	
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits	167	167	167	167	167	167	167	167	167	167	167	167	2,001	2,093	2,190	
Licences and permits	76	76	76	76	76	76	76	76	76	76	76	76	909	951	995	
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfers and Subsidies - Operational	6,869	6,869	6,869	6,869	6,869	6,869	6,869	6,869	6,869	6,869	6,869	6,869	82,430	86,222	90,188	
Other revenue	294	294	294	294	294	294	294	294	294	294	294	294	3,522	3,684	3,854	
Cash Receipts by Source	9,247	9,247	9,247	9,247	9,247	9,247	9,247	9,247	9,247	9,247	9,247	9,241	110,958	116,082	121,401	
Other Cash Flows by Source																
Transfers and subsidies - capital (monetary allocations) (National/ Provincial and District)	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	2,130	25,558	26,733	27,963	
Transfers and subsidies - capital (monetary allocations) (National/ Provincial Departmental Agencies, Households, Non-profit institutions, Private Enterprises, Public Corporations, Higher Educational institutions)	2	2	2	2	2	2	2	2	2	2	2	2	29	30	32	
Proceeds on Disposal of Fixed and Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in consumer deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Decrease (increase) in non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Increase (decrease) in non-current investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Receipts by Source	11,379	11,379	11,379	11,379	11,379	11,379	11,379	11,379	11,379	11,379	11,379	11,374	136,544	142,825	149,395	
Cash Payments by Type																
Employee related costs	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	5,301	63,618	67,462	71,481	
Remuneration of councillors	500	500	500	500	500	500	500	500	500	500	500	500	5,996	6,272	6,560	
Finance charges	16	16	16	16	16	16	16	16	16	16	16	16	191	200	209	
Bulk purchases - Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other materials	470	470	470	470	470	470	470	470	470	470	470	470	5,644	5,904	6,203	
Contracted services	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	1,884	22,603	23,643	24,881	
Transfers and grants - other municipalities	83	83	83	83	83	83	83	83	83	83	83	83	998	1,044	1,092	
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other expenditure	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	1,575	18,897	19,766	20,686	
Cash Payments by Type	9,829	9,829	9,829	9,829	9,829	9,829	9,829	9,829	9,829	9,829	9,829	9,829	117,947	124,290	131,122	
Other Cash Flows/Payments by Type																
Capital assets	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	21,997	23,009	24,067	
Repayment of borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Cash Payments by Type	11,662	11,662	11,662	11,662	11,662	11,662	11,662	11,662	11,662	11,662	11,662	11,662	139,944	147,299	155,189	
NET INCREASE/(DECREASE) IN CASH HELD	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(283)	(3,399)	(4,474)	(5,794)	
Cash/cash equivalents at the month/year begin:	23,890	23,607	23,324	23,041	22,758	22,475	22,193	21,910	21,627	21,344	21,061	20,778	20,490	20,209	16,017	
Cash/cash equivalents at the month/year end:	23,607	23,324	23,041	22,758	22,475	22,193	21,910	21,627	21,344	21,061	20,778	20,490	20,209	16,017	10,223	



## 2.10 Annual budgets and SDBIPs – internal departments

- As per Attached Final SDBIP. (Final SDBIP to be approved by the MAYOR)

## 2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, the following contracts are awarded beyond the medium-term revenue and expenditure framework (three years - 36 months):-

- Municipal Valuer
- Financial Management System (This is currently on a year on year basis, however we will have to include this contract going forward)

## 2.10 Capital expenditure details

Description	Funding	Amount
Resurfacing of Residential Roads-Ward 1	Municipal Infrastructure Grant	4,500,000.00
Construction of Sport Field-Ward 7	Municipal Infrastructure Grant	2,751,756.00
Sheti Bridge – Ward 1	Municipal Infrastructure Grant	2,256,996.00
Ezulwini Bridge – Ward 5	Municipal Infrastructure Grant	2,118,996.00
Hopewell Internal Roads-Phase 2 -Ward 4	Municipal Infrastructure Grant	2,000,004.00
Magoda Main Road	Municipal Infrastructure Grant	2,000,004.00
Mgxobeleni Community Hall – Ward 6	Municipal Infrastructure Grant	999,996.00
Ezidongeni Bus Shelters	Municipal Infrastructure Grant	800,004.00
Rehabilitation of Kwamagoda Road – Ward 2& 7	Small Town Grant	8,000,000.00
Small Business Incubation Centre – Ward 1	Small Town Grant	286,271.00
Richmond Memorial Hall – Ward1	Internal Funds	2,842,751.00
Completion of Testing Ground	Internal Funds	1,500,000.00
Richmond Agricultural Hall	Internal Funds	1,500,000.00
ICT Infrastructure	Internal Funds	200,004.00
Speed Timing Machine Traffic	Internal Funds	200,004.00
Mechanical Tools	Internal Funds	150,000.00
Server	Internal Funds	150,000.00
Brush cutters Roads	Internal Funds	129,996.00
Roller Slasher	Internal Funds	120,000.00
Aircon-Finance	Internal Funds	110,004.00
Lightning Conductors	Internal Funds	99,996.00
Windy House Disaster	Internal Funds	99,996.00

Description	Funding	Amount
Armor / Bullet Vest	Internal Funds	70,000.00
Library Computers	Internal Funds	80,004.00
Aircon- Registry	Internal Funds	60,000.00
Corporate Filing Cabinets	Internal Funds	60,000.00
Camera Communications	Internal Funds	50,004.00
Chairs-Corporate	Internal Funds	50,004.00
Corporate Services Desks	Internal Funds	50,004.00
Lights for Traffic Vehicles	Internal Funds	50,004.00
Mm Aircons	Internal Funds	50,004.00
New Sound System-Communications	Internal Funds	50,004.00
Disaster Vehicle Signage	Internal Funds	30,000.00
Signage for Traffic Vehicle	Internal Funds	30,000.00
Heavy Duty Chainsaw	Internal Funds	24,996.00
Finance Desks	Internal Funds	22,500.00
Chairs- Led	Internal Funds	20,004.00
Desks Local Econ Develop	Internal Funds	20,004.00
Finance Printer	Internal Funds	15,000.00
Binder Finance	Internal Funds	9,996.00
Disaster Cabinets	Internal Funds	9,996.00
Disaster Desks	Internal Funds	9,996.00
Grease Guns	Internal Funds	9,996.00
Led Cabinets	Internal Funds	9,996.00
Tow Bar	Internal Funds	9,996.00
Chairs-Disaster	Internal Funds	8,004.00
Chairs-Community Services	Internal Funds	6,804.00
Binder- Public Participation	Internal Funds	6,000.00
Office Blinds	Internal Funds	5,004.00
Camera Assets	Internal Funds	2,004.00
Torch	Internal Funds	2,004.00
Gazebo Senior Citizens	Internal Funds	1,200.00
Total		<b>33,670,305.00</b>

### 2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

#### 1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) is undertaken on a monthly basis.

#### 2. Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Budget and Treasury Office. Since the introduction of the Internship programme the municipality has successfully employed and trained 15 interns through this programme.

### 3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

### 4. Audit Committee

An Audit Committee has been established and is fully functional.

### 5. Service Delivery and Implementation Plan

The detailed SDBIP document is at a Final stage and will be finalised after approval of the 2019/20 MTREF in May 2020 directly aligned and informed by the 2019/20 MTREF.

### 6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

### 7. MFMA Training

The MFMA training module is available in electronic format.

Financial Interns are registered for the training.

### 8. Policies

All financial policies are reviewed and adopted annually as part of the budget process

**2.14 Municipal manager's quality certificate**

I Mr S L Mthembu, Acting Municipal manager of Richmond Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

**MR S L MTHEMBU**

Acting Municipal manager of RICHMOND MUNICIPALITY (KZ227)

Signature  \_\_\_\_\_

Date \_\_\_\_\_ 05 June 2020 \_\_\_\_\_